# General Informational Session

# Are You Ready?

TACOM Community
Week 12 May 04

CSRS Informational
Session

# Agenda

- Purpose
- General Facts
- Survivor Benefits
- FEHB
- FEGLI
- Military Service
- Thrift Saving Plan
- Misc

# Purpose

**To provide BASIC general informatio**
**on the Civil Service Retirement Syst**

**What this session is not:**

- **Replacement of the Army Benefits Cen**
- **A Counseling Session**
- **Investment/Tax Planning**
- **Estate Planning**
- **Second Career Choices**

**Presented from an Optional Retirement Point of V**

# GENERAL FACTS

# General Facts - Background

- CSRS was established in 1920
- Covers most civilian employees first hired prior to 1 Jan 1984
- A single defined benefit retirement plan - based upon years worked and salary earned
- Regular employees contribute 7.0% of basic p
- A retirement check from the OPM CSRS for lif

# General Facts – When You May Retire

| Type | Minimum Age | Minimum Service (Years) |
|---|---|---|
| Optional: | 62 | 5 |
| | 60 | 20 |
| | 55 | 30 |
| Early Optional: | Any age* | 25 |
| | 50* | 20 |
| Discontinued Service: | Any age* | 25 |
| | 50* | 20 |
| Disability: | Any age | 5 |

**** Annuity is reduced if under age 55***

# General Facts – Creditable Service Includes

- Time elapsing between dates of appointment & separa
- Leave Without Pay (LWOP) up to 6 mos in a calendar ye
- Workers Compensation time (OWCP), provided employe returns to duty
- Part-Time Service
  - Prior to 7 Apr 86 receives full time credit
  - After 7 Apr 86 creditable for eligibility, but prorate for computation purposes
- Intermittent only for actual days worked, based on 260-day
- Breaks in service up to 3 days
- Certain Military Service

# General Facts – Creditable Civilian Service

1. **Creditable civilian service**
2. **Creditable military service**
3. **Unused sick leave credit (CSRS Only)**

| | | | |
|---|---|---|---|
| **Civilian** | **28 yrs** | **1 mo** | **3 days** |
| **Military** | **4 yrs** | **2 mos** | **6 days** |
| **Unused Sick Leave** | **0 yrs** | **6 mos** | **18 days** |
| **Total Service** | **32 yrs** | **9 mos** | **27 d** |

# SURVIVOR BENEFITS

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# Survivor Benefits

As an employee – benefits are automatic

- Survivor
- Children

As a retiree – benefits are **ELECTED**

# Survivor Benefits

**The following may be eligible to receive**
**Survivor Annuity upon the retiree's dea**

- Current spouse
- Former spouse
- Insurable interest
- Children

# Survivor Annuity Election

**At time of retirement a decision is made:**

A. I choose a reduced annuity with maximum survivor annuity for my spouse

B. I choose a reduced annuity with a partial survivor annuity for my spouse

C. I choose an annuity payable only during my lifetime

# Survivor Annuity Election

**Continued…….**

D. I choose a reduced annuity to provide a former spouse or combination current/former spouse survivor annuity

E. I choose a reduced annuity with survivor annuity for the person who has an insurable interest in me

F. I choose no survivor annuity

# Survivor Annuity Consent

- If you are married at the time of retirement a full survivor benefit for your spouse will automatically be elected unless you and spouse waive it

- A waiver requires you and your spouse's signature and must be notarized and submitt with retirement application

- Completion of SF 2801-2 Spouse's Consent To Survivor Election and attachment

# Survivor Benefit - Spouse

- To qualify a spouse must have been marrie
to you a total of 9 months

- A spouse’s survivor annuity begins on the d
after your death

- It ends at the end of the month preceding t
month in which the survivor dies or remarries
before age 55

# Survivor Benefit Amount

- Full benefit is 55% of your base annuity
- Reduced benefit can be any designated dollar amount or your base annuity. You select the dollar amount from which you want 55% spousal computed
- ABC-C = least amount is $22.00

# Survivor Annuity Example

Base CSRS retirement annuity:
$20,000 annually
X 55% full benefit %
$11,000 annual spousal annuity

Partial CSRS retirement annuity:
Amount you and spouse designated as Base:
$10,000 annually
X 55%
$5,500 annual spousal annuity

# Survivor Annuity - Cost

**Remember nothing in life is free….**

- There is a cost factor to you to provide your spouse with an annuity
- The cost is incurred through a reduction in yo annuity during your lifetime
- Your cost depends on the dollar amount you designated as the base for the survivor benefit
  2.5% of $3,600 plus 10% of any amount over $3,600

# Survivor Annuity – Spouse Cost Example

Full spousal annuity benefit chosen:

$20,000 basic annual annuity
-$3,600 x 2.5% = $ 90
$16,400 x 10% = $1,640
$1,730 amount of annual reduction to annuity

$20,000 basic annual annuity
-1,730 Cost to providing spouse
$18,200 Your reduced annual annuity

# Survivor Annuity - Children

**For child to be eligible they must be:**

- Unmarried and
- Under 18 or

- Age 18 to 11 and a full-time student or
- Over 18 and incapable of self-support due to a disability incurred before age 18

# Federal Employees' Health Benefits Program FEHB

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# Federal Employees' Health Benefits Program - FEHB

**Area of concern among potential retirees . . . . .**

Specifically the ability to carry their health insurance coverage into retirement.

# FEHB - Coverage

Retiring employees may continue health bene
coverage into retirement, with no reduction in
benefits if they:

- Retire on an immediate annuity
- After enrollment (or coverage as a family
member) under the health insurance program for:
  - 5 years of service immediately preceding retirement (*CHAMPUS/TRICARE), or
  - All service since first opportunity to enroll

# FEHB – General Facts

- Health benefits during retirement remain the same as if you were currently employed
- Your actual benefits, as covered under your particular health plan, remain the same
- Your COSTS are the same (except for part-time employees)
- Premiums are withheld once a month from y annuity check, rather than once every 2 week

# FEHB – General Facts

- Ability to make changes to your health plan coverage remains unchanged

Example: May change health plans during Open Season or you can elect a new plan when you move from your residence and the HMO plan you are covered under is not available at your new location (use SF-2809) and others

# FEHB & MEDICARE

## IMPORTANT CONSIDERATIONS

What is Medicare?

Medicare is a federal health insurance program
for people 65 or older and certain disabled peop

Medicare has two parts:
Part A – is Hospital Insurance
(has been paid for from wages 1.45%)
Part B – is Medical Insurance
(2004 rate = $66.660 per person per month)

# FEHB – MEDICARE Part A

**Medicare Part A:**

- Pays for medically necessary inpatient hospita care, to include care at nursing facilities, home health care and hospice care
- Still responsible for paying any deductibles or remaining costs
- Medicare Part A is free of charge, if you have paid into FICA for 40 quarters

# FEHB – MEDICARE Part B

**Medicare Part B:**

- Pays for 80% of most approved physicians' service charges, durable equipment, outpatie hospital services and a number of other med services and supplies, after you pay a $100 Medical deductible

- Medicare Part B is not free – Check with SS for current rate.

# FEHB & MEDICARE

**Why do I need to know about MEDICARE?**

- Employees who work after 65:
  - FEHB is the primary coverage and
  - MEDICARE provides secondary coverage
- Retired and Age 65:
  - Medicare becomes your primary insuranc
  - FEHB becomes your secondary

This means your FEHB benefits need to be review and or adjusted at age 65

# Federal Employees' Group Life Insurance FEGLI

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# Federal Employees Group Life Insurance - FEGLI

- Retiring employees may continue BASIC life insurance if they:

- Retire on an immediate annuity
- Are insured on date of retirement
- Have been covered for 5 yrs of service immediately preceding retirement, or since first opportunity to enroll.

# FEGLI – Basic Insurance

- The amount of your Basic Life Ins is determine by the your annual rate of basic pay in effect when you retire and which **reduction schedule** you choose

- The cost of Basic Life Insurance is dependent upon your age and the reduction schedule you have choose at retirement.

- There are 3 different reduction schedules/optic 75%, 50, 0%.

# FEGLI – Basic Insurance

- Basic is determined by rounding up the employee's basic salary and then adding $2,000

Example:
Basic Salary is: $55,200
Rounded up to: $56,000
Plus $2K: $58,000

The monthly premium rate is dependent on the reduction schedule chosen

# FEGLI – Optional Insurances

- There are 3 Optional Insurances:
  - Option A (Standard)
  - Option B (Additional)
  - Option C (Family)
- These may be carried into retirement in additional to BASIC insurance
- Need to review these prior to retirement to determine if they continue to be cost effective
- SF-2818, Continuation of Life Insurance Coverage Form used to make determinations

# Thrift Saving Plan

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# Thrift Saving Plan

**Withdrawal Options:**

- Have TSP purchase a life annuity for you
- Receive your account in a single payment
- Receive your account in a series of monthly payments

# Thrift Saving Plan

**Leaving your money in the TSP:**

- You can leave your entire account balance in the TSP

- However, you must withdraw your TSP account or begin receiving monthly or annuity payments by 1 April of the year following the year you reach 70 1/2

# MILITARY SERVICE

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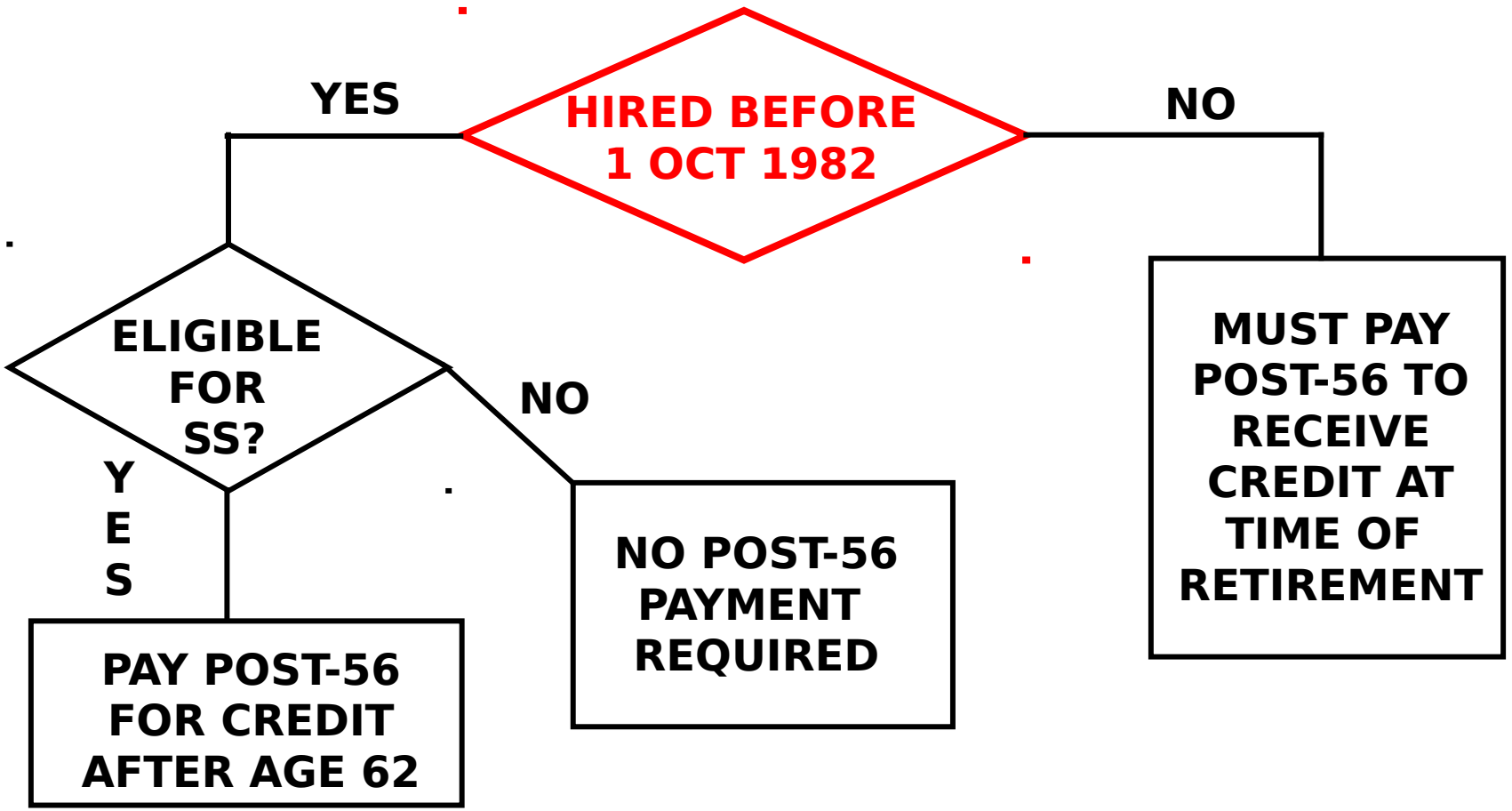
# Military Service - Creditable

- Honorable ACTIVE DUTY military service is potentially creditable

- Receipt of Military Retired Pay will bar credit of military service unless Military Retried Pay is waived

# Military Service - Post-56 Military Svc Credit



# Military Service – CSRS Military Deposit

DEPOSIT = * 7% of military Base Pay (not allowances) earned during service performed 1-1-57 and later

* May vary by date service was performed

Plus . . . . .

# Military Service – Variable Interest Rates

1985 – 13.0%
1986 – 11.125%
1987 – 9.0 %
1988 – 8.375%
1989 – 9.125%
1990 – 8.750%
1991 – 8.626%

1992 – 8.125%
1993 – 7.125%
1994 – 6.25%
1995 – 7.0%
1996 – 6.875%
1997 – 6.875%
1998 – 6.75%

1999 – 5.75%
2000 – 5.875%
2001 – 6.375%
2002 – 5.500%
2003 – 5.0%
2004 – 3.875%

# Military Service – CSRS Interest Accrual Date (IAD)

No interest charged if deposit paid in full befo
First interest accrual date, *using the later of*:

- 10-1-86, or
- 3rd anniversary of first appt in a covered CSRS position, or
- 3rd anniversary of return to a CSRS position after post-56 military service

# Military Service – Computing the Interest

- Interest rates are by calendar year
- Composite rate derived using yearly interest ra
- More than one interest accrual date may apply

# Military Service – CSRS Military Example #1

- Employee age 55 with 30 years total service
  (includes 4 years of Post-56 military service)

- If employee does NOT make a deposit prior to separation AND becomes eligible for Social Security benefits at 62, their annuity wi be RECOMPUTED and reduced by 8%
  (4 years x 2% = 8%)

- Regardless of whether or not they apply for Social Security Benefits

# Military Service – Military Service Example #2

- Alexander was first hired  12-01-73
- He has 25 years of CSRS service
- He had 3 years active duty in the Navy
- His military service deposit is $2,500
- His hi-3 average salary is $30,000
- Number of Social Security credits - 44

# Military Service – If Post-56 Deposit is NOT Paid

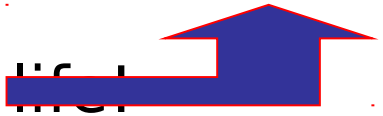
- If Alexander does not paid his Post-56 Time. .

- 28 YOS = 52% If $30,000 = $15,600 or $1,300 per mo

- Continues until age 62, then OPM recomputes the ann subtracting 3 years of military service

- 25 YOS = 46% of $30,000 = $13,800 or $1,150 per m

$1,300 (at retirement) $1,800 x 20 yrs = $36,000
$1,150 (at age 62)
$150 per month reduction for life!



# Military Service - Deposit Procedures

- Complete an RI 20-97, Estimated Earning During Military Service
- Mail to appropriate military finance center with copies of DD Forms 214
- Upon receipt of estimated earning, complete the personal information on SF-2803
- Forward SF-2803 and RI-20-97 and DD Form 214 to Army Benefits Center (ABC-C)
- ABC-C forwards to DFAS – You make arrangements with DFAS to pay required deposit

# MISC Information

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# MISC Information

Your retirement package should include:

- SF-2801 Application for Immediate Retirement
- SF-2801-2 Spouse Consent To Survivor Electio
- SF-2801-3 Election of Former Spouse Survivor Annuity*
- SF-2818 Continuation of Life Insurance Covera
- RI-38-128 Direct Deposit Information
- W-4P Withholding Certificate for Pension or Annuity Payment

***If applicable**

# MISC Information

**Your retirement application/paperwork**
**Is mailed to:**

Southwest Civilian Personnel Operations Center
Attn: Army Benefits Center – Civilian
301 Marshall Avenue
Fort Riley, KS 66442-5004

# MISC Information

Major Websites:

ABC-C: https://www.abc.army.mil

Thrift Saving Plan: http://www.tsp.gov/

OPM Thinking About Retirement:
http://www.opm.gov/forms/pdfimage/RI83-011.p

OPM-Federal Retirement Programs:
http://www.opm.gov/retire/index.asp

ABC-C Post-56 Military Info
https://www.abc.army.mil/information/ABCRetirement/Information/CSRSPos

# Your Questions Should Be Directed To The Army Benefits Center - Civilian

After you dial our toll-free number **1-877-276-9287** (visit the ABC-C website for OCONUS numbers), you must press 1 for Army civilian employee, 2 for Benefits & Entitlements, and 1 for current Army employee. Then you will need to input your Social Security Number (SSN) and 6-digit Personnel Identification Number (PIN). If you have never created your PIN, you will need to first create a temporary 4-digit PIN that consists of your mmyy of birth (e.g. July 1945 is 0745) and then enter/verify your duty telephone number.

At this point you will come to the “main menu”. You must then press the number that best corresponds with the purpose of your call (FEHB, Retirement, TSP, etc.). The following menu will give you the opportunity to press 0 to transfer to a benefit counselor.